

easyJet's response to CAP3078 – Economic regulation of Gatwick Airport Limited: Final Proposals on extending the current commitments

easyJet plc ("**easyJet**") welcomes the opportunity to comment on the Civil Aviation Authority's ("**CAA**") Final proposals CAP3078 on the economic regulation of Gatwick Airport Limited ("**GAL**") (the "**Final Proposals**").

As the largest airline operator at Gatwick Airport (the "**Airport**"), carrying 46% of GAL's traffic, easyJet and its passengers bear the greatest impact of GAL's proposals.

In the Final Proposals, the CAA's view remains to accept GAL's proposed extension to the current Contract and Commitments framework (the "**Framework**"). The CAA also commits to carry out a full detailed review of the Framework during the G7 Extension period and in advance of any determination for the subsequent period, starting on 1 April 2029 (the "**Post G7 Extension Period**").

The CAA is seeking views from stakeholders on the scope and timing of such a review. More specifically, in the Final Proposals the CAA:

- a. Notes that it has identified a number of areas that may need to be reviewed in the future, including matters relating to service quality and incentives;
- b. Notes that it should review the commitments framework during the next price control period (that is, before March 2029), particularly as the focused reviews envisaged in 2021 did not take place, and it has now been over ten years since the framework was first introduced in 2014;
- c. Commits to reviewing GAL's regulatory framework "*to assess more broadly whether the commitments framework is continuing to deliver for consumers and whether there are changes to the framework that could further improve consumer outcomes*"; and
- d. Indicates that such a review should start in the second half of 2027, so as to be completed by mid-2028. This would allow the CAA to take proper account of experience during the extension period and provide their views on the framework before the end of the extension period.

On the scope of the review, we refer to easyJet's response to CAP3012 submitted on 27 September 2024 ("**easyJet's Response to the Second Consultation**"). As outlined in that response, we believe that there are a number of issues at the Airport which merit further consideration by the CAA *during* the G7 Extension Period. In particular, easyJet has identified elements of the existing Framework (such as how GAL engages with airport stakeholders and invests in the Airport) that easyJet considers would benefit from *ongoing* CAA engagement.

Other features of the Framework, including those relating to charges, capacity and GAL's market power and profitability, merit a full customary mid-term review to inform the framework for the Post G7 Extension Period.

On the timing of the review, it is critical that the CAA's review for the Post G7 Extension Period provides enough time to undertake a detailed and robust economic assessment, including meaningful consultation with stakeholders. For this reason, we believe that the review should commence no later than mid-2027.

We note that, in the Final Proposals, the CAA has confirmed that it intends to start the review in H2 of 2027, stating that *“it is also important that the timing of a regulatory review does not unduly interfere with the commercial process between GAL and airlines for the next regulatory period”*¹.

However, the CAA then goes on to state that *“Given the uncertainty around expansion at Gatwick, [the CAA] may need to revisit the proposed timings of a review, for example, if GAL negotiates a new set of commitments with airlines for [the CAA] to consider”*².

We have real concerns with the CAA reserving to revisit the proposed timings of the review. We believe that it is paramount that the review commences no later than mid-2027, particularly considering that the framework would then have been in place for nearly 13 years without a detailed assessment. Any further delays would not allow time for the much-needed detailed economic assessment and meaningful consultation with stakeholders.

In addition, any delay beyond 2027 would again have a detrimental impact on airlines’ ability to feed into the CAA’s review and at the same time, have any meaningful negotiation with GAL on bilateral agreements. There would be no certainty for the airlines (or GAL) regarding any revised regulatory framework, on which the bilateral negotiations would then be based. We believe it is critical to have the full review by the CAA completed by mid-2028 at the latest.

In conclusion, and consistent with the views outlined in easyJet’s response to the Second Consultation:

- i. easyJet does not oppose GAL’s proposal to extend the Framework, nor the CAA’s proposal to accept the extension.
- ii. Nevertheless, easyJet considers that there are elements of the Framework which would benefit from further customary review by the CAA during the G7 Extension period and in advance of any determination for the Post G7 Extension Period. There are also a number of issues at the Airport which require further attention by the CAA in advance of the Post G7 Extension Period, including how GAL consults with stakeholders, and invests in the Airport.
- iii. easyJet considers that the CAA’s regulatory review for the Post G7 Extension Period should be undertaken with adequate notice to consultees and give appropriate time for a full review, commencing no later than mid-2027. This will be critical, not least given the greater clarity there will be regarding the Northern Runway development project (and the impact on profitability, market power and the appropriate level of charges from 2029).

easyJet is grateful for the opportunity to provide its responses to the Final Proposals and remains committed to supporting the CAA with this process.

25 March 2025

¹ CAP3078, paragraph 4.11

² CAP3078, paragraph 4.12